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PASS TREASURY, CEA AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, FR, EALR

SUBJECT: ANALYSIS OF NEW FRENCH ECONOMIC SUPPORT
PROGRAM

REF: PARIS 22911, SEP 5, 1975 NOTAL

1. SUMMARY: WITH THE ECONOMY STILL IN THE DOLDRUMS,
UNEMPLOYMENT RISING, SEVERE BUSINESS FINANCIAL PRESSURES
AND A CONTINUING GLOOMY OUTLOOK, THE GOF HAS INITIATED
AN ECONOMIC SUPPORT PROGRAM FEATURING A ONE-SHOT \$7
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BILLION (FF 30.5 BILLION) INFUSION OF PUBLIC SPENDING

DESIGNED TO ARREST THE DOWNWARD DRIFT OF THE ECONOMY AS SOON AS POSSIBLE. IT ALMOST CERTAINLY WILL ACHIEVE THIS OBJECTIVE SINCE THE ECONOMY WOULD HAVE BOTTOMED-OUT LATER THIS FALL IN ANY CASE, AND THE ADDITIONAL SPENDING PROBABLY WILL HELP TO SUSTAIN A SOMEWHAT HIGHER LEVEL OF ECONOMIC ACTIVITY THAN WOULD HAVE OCCURRED OTHERWISE IN THE COMING MONTHS. IF ALL GOES WELL, THIS PROGRAM COULD TRIGGER A GRADUAL INVESTMENT-LED EXPANSION DURING THE FIRST HALF OF NEXT YEAR, BUT IT CLEARLY IS NOT DESIGNED TO ASSURE AND SUSTAIN A STRONG ECONOMIC EXPANSION. IN SHORT, THE GOF HAS DONE WHAT IT HOPES IS JUST ENOUGH TO SHORE UP A SAGGING ECONOMY, THEREBY FACILITATING THE POSSIBILITY OF A GRADUAL EXPANSION EARLIER RATHER THAN LATER NEXT YEAR OF A KIND THAT WILL NEITHER REKINDLE INFLATION NOR WORSEN FRANCE'S BALANCE OF INTERNATIONAL PAYMENTS. END SUMMARY.

2. BACKGROUND AND OFFICIAL RATIONALE:

FOR MORE THAN A YEAR GOF ECONOMIC POLICY HAS BEEN DESIGNED TO REDUCE INFLATION AND ASSURE BALANCE OF PAYMENTS EQUILIBRIUM, DESPITE THE EMERGENCE OF THE WORST RECESSION SINCE THE END OF WORLD WAR II. THIS POLICY ALSO REFLECTED AN OFFICIAL ASSESSMENT THAT THE FRENCH ECONOMY WOULD HAVE COMPLETED AN INVENTORY ADJUSTMENT THIS SUMMER AND THAT A MILD UPTURN WOULD HAVE BEGUN THIS FALL AS AN ADJUNCT OF THE USUAL ACCELERATION OF ECONOMIC ACTIVITY FOLLOWING THE VACATION PERIOD.

DURING THE SUMMER MONTHS DOUBT ABOUT THIS ASSESSMENT OF THE ECONOMY GREW INCREASINGLY STRONG, AND BY SEPTEMBER IT BECAME OBVIOUS THAT THE ECONOMY WAS STILL DRIFTING DOWNWARD, THAT THE INVENTORY ADJUSTMENT HAD BEEN VERY SLUGGISH, AND THAT CERTAIN PRESSURES, PARTICULARLY ON BUSINESS PROFITS AND CASH FLOWS, WERE SO INTENSE THAT WIDESPREAD BANKRUPTCIES OR SHARP CUT-BACKS AND RAPIDLY RISING UNEMPLOYMENT WERE MUCH MORE LIKELY DEVELOPMENTS.

THE ECONOMIC SUPPORT PROGRAM IS DESIGNED TO PREVENT THE WORST FROM HAPPENING AND TO REVIVE THE LIMITED OFFICIAL USE

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PROSPECTS FOR A MILD UPTURN IN THE COMING MONTHS OF A KIND PREVIOUSLY FORESEEN FOR THE AUTUMN OF THIS YEAR.

THUS, OFFICIAL RATIONALE AS GIVEN IN PRESIDENTIAL ADDRESS OF SEP 4 AND IN FINMIN FOURCADE'S SEP 5 PRESS CONFERENCE (REFTEL) IS THAT NEW GOF PROGRAM TO RESTIMULATE FRENCH ECONOMY DESIGNED TO HAVE AS IMMEDIATE AN EFFECT AS POSSIBLE. MEASURES TAKEN ARE NOT TO ESTABLISH

ANY PRECEDENT, BUT ARE ONE-TIME ONLY. REASONS FOR
TAKING REFLATIONARY ACTION AT PRESENT TIME INCLUDE
DEEPENING RECESSION THROUGHOUT EUROPE -- "MORE SEVERE
THAN WE COULD HAVE IMAGINED" -- AND WORSENING UNEMPLOY-
MENT SITUATION IN FRANCE. GOF NOW ABLE TO TACKLE TWIN
PROBLEMS OF DECLINING PRODUCTION AND RISING UNEMPLOYMENT
SINCE "VERY RESPECTABLE" RESULTS HAD BEEN ACHIEVED
SINCE LAST YEAR IN COMBATTING PRICE INFLATION AND
RESTORING SURPLUS IN FOREIGN TRADE BALANCE. PRESENT
PROGRAM WILL RE-STIMULATE LEVEL OF ECONOMIC ACTIVITY
AND THUS CREATE JOBS. THIS ENTAILS REVIVING INTERNAL
DEMAND THROUGH GOVERNMENT DEFICIT SPENDING IN 1975,

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AND THROUGH ENCOURAGEMENT OF INVESTMENT SPENDING.
DESPITE SHIFT IN EMPHASIS IN GOF ECONOMIC POLICIES,
VIGILANCE AGAINST INFLATION IS TO CONTINUE, WITH
EXISTING PRICE-CONTROL MECHANISMS REMAINING IN EFFECT.

3. ECONOMIC EFFECTS OF THE PROGRAM:

THE GNP EFFECTS OF THE PROGRAM ARE BASED INITIALLY
UPON DEFICIT SPENDING WHICH WILL INCREASE THE FY 75
DEFICIT FROM \$4 BILLION TO \$10 BILLION AND SECONDARILY
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UPON THE PSYCHOLOGICAL EFFECTS OF THE PROGRAM WHICH
COULD PROMPT BOTH INCREASED CONSUMPTION AND INVESTMENT.

HOWEVER, GOF RHETORIC HAS TENDED TO OVERSTATE THE
FISCAL IMPACT OF THE PROGRAM. THIS IS BECAUSE THE
INITIAL FISCAL IMPACT OF THE PROGRAM (SEE PARA 4 FOR
DETAILS) WILL PEAK AT NO MORE THAN \$6 BILLION BY
YEAR END OR SHORTLY AFTER BUT WILL CEASE ENTIRELY BY THE
END OF MARCH 1976 WITH A NET INFUSION OF ABOUT \$4.5
BILLION OVER THE PRECEDING SIX MONTHS. THUS, A THREE
TO FOUR MONTH SURGE IN SPENDING WILL BE PARTLY OFFSET BY
THE END OF THE FIRST QUARTER OF 1976 BY A SUBSTANTIAL
REVERSAL OF TAX DEFERRALS. THEREAFTER, ACCORDING TO
PRESENT PLANS, THE TREASURY WILL BE MORE OR LESS IN
BALANCE.

IT SEEMS UNLIKELY THAT AN ECONOMY STILL SLOWING
DOWN COULD POSSIBLY PICK UP SPEED FOR LONG WITH SUCH
A BRIEF PUSH ON THE ACCELERATOR FOLLOWED SO SOON BY A
TOUCH ON THE BRAKES. IN THIS SENSE, THE ECONOMIC SUP-
PORT PROGRAM, LIKE THE PRECEDING ANTI-INFLATION POLICY,
APPEARS TO ASSUME THAT UNDERLYING TRENDS IN THE FRENCH
ECONOMY WILL SOON BEGIN A GRADUAL RISE IN ANY CASE, AND
ALL THAT IS REQUIRED IS A QUICK BURST TO PUT THINGS IN
THE RIGHT DIRECTION. THIS IS A POSSIBLE BUT DUBIOUS
ASSUMPTION WHICH VERY FEW OBSERVERS CONSIDER PLAUSIBLE,
MUCH LESS LIKELY. HOWEVER, IF THE "RECESSION PSYCHOLOGY"
WERE CHANGED BY THE PROGRAM, SAVINGS RATES WOULD DECLINE,
INVENTORIES WOULD REVERSE AND THE BASIS OF AN INVEST-
MENT-LED UPTURN IN 1976 WOULD BE POSSIBLE. IN VIEW OF
THE REMARKABLY SHORT EXPANSIONARY PHASE OF THE PROGRAM,
THE GOF OBVIOUSLY HOPES FOR A QUICK AND POSITIVE
RESPONSE ON THE PART OF CONSUMERS AND INVESTORS IN
ORDER TO SET THE BASIS FOR AN UPTURN IN 1976.

FINALLY THE TIMING AND STRUCTURE OF THE PROGRAM, AS WELL AS ITS IMPLICIT ASSUMPTIONS, COULD MEAN THAT THE GOF MERELY WISHES TO AVOID THE WORST IN THE HOPES THAT SERIOUS POLITICAL AND SOCIAL PRESSURES WILL BE DEFUSED BY SHORING UP THE ECONOMY MORE OR LESS AT PRESENT LEVELS. IN SUCH CIRCUMSTANCES, THE GOF MIGHT BE LIMITED OFFICIAL USE

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WILLING TO WAIT FOR AN UPTURN LATER IN 1976 THAT WOULD BE BETTER BALANCED FROM AN INFLATIONARY AND BALANCE OF PAYMENTS VIEWPOINT. IN ANY EVENT THE PROGRAM CLEARLY SHOWS THAT THE GOF ISN'T ABOUT TO FORCE AN ECONOMIC UPTURN AT THE RISK OF REKINDLED INFLATION AND BALANCE OF PAYMENTS PRESSURES.

A. PRODUCTION AND INVESTMENT:

MOST OF THE PROGRAM IS AIMED AT REVIVING LEVEL OF INDUSTRIAL PRODUCTION AND INVESTMENT SPENDING (SEE REFTEL, PARAS A3, A5, AND B), PARTICULARLY IN CAPITAL-EQUIPMENT SECTOR. EARLIER EFFORTS ALONG THESE LINES HAD MET WITH UNENTHUSIASTIC RECEPTION ON PART OF BUSINESS AND INDUSTRY (SEE PARIS 13886). NOW, ACCORDING TO FINANCE MINISTER FOURCADE, GOF HOPES THAT RECOVERY PROGRAM WILL SHOW IMMEDIATE RESULTS IN LEVELS OF INVESTMENT AND ECONOMIC GROWTH WHILE OBTAINING "BALANCED GROWTH" THROUGH FISCAL DISCIPLINE.

CAPITAL-EQUIPMENT SECTOR THUS IS PRINCIPAL BENEFICIARY OF RECOVERY PROGRAM, THROUGH DIRECT AIDS AS WELL AS INCENTIVES TO INVEST. SPEAKING BEFORE PARLIAMENT, PRIME MINISTER CHIRAC SPOKE OF "INVESTMENT-LED RECOVERY" AS GOF GOAL. AT SEPT 5 PRESS CONFERENCE, FINMIN FOURCADE SAID THAT OBJECTIVE OF GOF PROGRAM WAS TO RETURN FRENCH ECONOMIC GROWTH TO "NEIGHBORHOOD OF 5 PERCENT" -- AND ADDED THAT POSITIVE EFFECTS ON UNEMPLOYMENT SITUATION COULD NOT BE EXPECTED BEFORE MARCH OR APRIL OF NEXT YEAR.

FOR CONSUMER-GOODS SECTOR, MOST DIRECT STIMULANT IS FF 5 BILLION IN GOVERNMENT DISBURSEMENTS TO FAMILIES

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AND THE AGED POOR (ALTHOUGH MANY SUSPECT THE LATTER
WILL FOLLOW FRENCH TRADITION BY PUTTING THEIR STIPENDS,
OF 700 FRANCS EACH, INTO SAVINGS). CLOTHING INDUSTRY
CAN BE EXPECTED TO BENEFIT SOMEWHAT FROM BACK-TO-SCHOOL
BONUSES FOR FAMILIES WITH CHILDREN; BUT FRENCH TEXTILE
INDUSTRY AS A WHOLE HAS FARED WORSE THAN OTHER INDUS-
TRIES DURING CURRENT RECESSION, AND GIVEN LARGE CARRY-
OVER STOCKS OF FINISHED GOODS AND FINANCIAL PINCH ON
FIRMS, INGREDIENTS FOR SUSTAINED REVIVAL DO NOT SEEM
PRESENT. EASING OF TERMS FOR CONSUMER CREDIT AND
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INSTALLMENT BUYING SHOULD SERVE MORE AS INDUCEMENT FOR PURCHASES OF SEMI-DURABLES SUCH AS FURNITURE, APPLIANCES AND AUTOMOBILES (SEE PARA 3C BELOW).

FOR FRENCH AUTO INDUSTRY, NEW MEASURES ARRIVED AT TIME WHEN REVIVAL APPEARED TO BE BEGINNING. SECOND-HAND CAR MARKET HAS THINNED OUT, AND PURCHASES OF NEW AUTOS COULD BE FACILITATED BY EASIER INSTALLMENT-PURCHASE TERMS AND LOWER INTEREST CHARGES. HEAVY-MACHINERY PRODUCERS AND THE DEPRESSED BUILDING INDUSTRY COULD FAIRLY QUICKLY FEEL THE EFFECTS OF INCREASED INVESTMENT EXPENDITURES FOR PUBLIC WORKS AND HOUSING CONSTRUCTION AND POSSIBLY SPENDING BY PRIVATE SECTOR IF PROGRAM TRIGGERS INCREASED DEMAND. HOWEVER' SINCE OVERALL CAPACITY UTILIZATION IN FRENCH INDUSTRY IS AT LOWEST LEVEL SINCE EARLY 1960'S, SEVERAL MONTHS OF REVIVED ECONOMIC ACTIVITY WOULD BE REQUIRED SIMPLY TO TAKE UP EXISTING SLACK.

B. UNEMPLOYMENT:

ACCORDING TO OFFICIAL RATIONALE, ECONOMIC-SUPPORT PROGRAM DESIGNED TO PREVENT WORSENING OF CURRENT UNEMPLOYMENT SITUATION AND EVENTUALLY TO PERMIT CREATION OF SUBSTANTIAL NUMBERS OF NEW JOBS. LEVEL OF UNEMPLOYMENT IN FRANCE HAS CLIMBED STEADILY SINCE LAST SEPTEMBER TO ROUGHLY 4 PERCENT OF THE LABOR FORCE -- A POSTWAR RECORD -- IN MID-SUMMER 1975. SIMULTANEOUSLY, NUMBER OF UNFILLED JOB OFFERS HAS DWINDLED TO LEVEL OF FOUR YEARS AGO. MORE-THAN-SEASONAL INCREASE IN NUMBER OF YOUNG PEOPLE ENTERING LABOR FORCE HAS LONG BEEN EXPECTED FOR THIS FALL, SO THAT NUMBER OF JOBLESS SHOULD SURPASS ONE MILLION DURING CURRENT MONTH OR IN OCTOBER AT THE LATEST. FIRMS WHICH HAVE RESORTED TO REDUCTIONS IN WORKING HOURS TO COPE WITH DECLINING DEMAND AND OUTPUT ARE NOW REPORTEDLY UNABLE TO FOLLOW THIS COURSE ANY FURTHER, RAISING PROSPECT OF A RESURGENCE IN LAY-OFFS AND EVEN FACTORY CLOSINGS.

NEW TAX DEFERMENTS FOR INDUSTRY, DESIGNED TO EASE FIRMS' SHORT-TERM FINANCIAL DIFFICULTIES, COULD REMOVE LIMITED OFFICIAL USE

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SOME OF THE PRESSURE FOR LAYOFFS THIS FALL AND WINTER. THE "MULTIPLIER EFFECT" OF SUPPLEMENTARY INVESTMENT CREDITS, GIVEN DEGREE OF UNUSED CAPACITY IN MOST INDUSTRIAL SECTORS, MAY BE MINIMAL.

EXCEPT FOR PUBLIC WORKS, INCLUDING ADVANCES TO LOCAL AUTHORITIES, THERE IS LITTLE IN GOF'S NEW PRO-

GRAM WHICH WILL DIRECTLY CREATE NEW JOBS -- AS LEFT
OPPOSITION IN PARLIAMENT WAS QUICK TO POINT OUT.
PSYCHOLOGICAL IMPACT OF THE PROGRAM IS MOST THAT CAN
BE HOPED FOR IN TERMS OF NEAR-TERM JOB CREATION AND
PRESERVATION. OTHERWISE GOV AWAITING UPTURN IN 1976
TO BEGIN ABSORBING UNUSUALLY HIGH NUMBER NEW
ENTRANTS INTO THE LABOR FORCE

C. CONSUMPTION:

BULK OF SPENDING UNDER THE PROGRAM NOT DIRECTLY
AIMED AT CONSUMER SPENDING. MONETARY POLICY
IS CHOSEN TOOL IN THIS RESPECT (SEE PARIS 22978).
STRINGENT TERMS WHICH PREVIOUSLY APPLIED TO INSTALLMENT
PURCHASES HAVE BEEN CONSIDERABLY RELAXED, WHILE COST OF
CONSUMER CREDIT (ALREADY REDUCED BY 3 POINTS ON JULY 1)
WILL BE CUT ANOTHER 2 POINTS TO 17.8 PERCENT AS OF
OCT 1. OFFICIAL CREDIT CEILINGS (SEE PARIS 16741)
HAVE ALSO BEEN RAISED FOR CONSUMER CREDIT PERMITTING
18 PERCENT EXPANSION OVER THE COURSE OF 1975, WHILE
CEILINGS ON PERSONAL LOANS BY BANKS HAVE BEEN ABOLISHED
ENTIRELY.

WHETHER NEW MEASURES WILL REINFORCE SEASONAL
TENDENCY OF INCREASED RETAIL ACTIVITY IN AUTUMN MONTHS
IS UNCERTAIN IN VIEW OF RECENT SAVINGS TRENDS WHICH

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SHOW THAT OVERALL LIQUID AND SHORT-TERM SAVINGS
(SEASONALLY ADJUSTED) EXPANDED AT 18.7 PERCENT ANNUAL
RATE OVER FIRST FOUR MONTHS OF 1975, AFTER HAVING
LEVELED OFF IN FOURTH QUARTER 1974. QUARTERLY INDEX
OF CONSUMPTION BY HOUSEHOLD SECTOR IN MAY WAS ONLY 2.3
PERCENT GREATER IN VOLUME THAN ONE YEAR PREVIOUSLY.
//HOWEVER, WAGES HAVE CONTINUED TO RISE FASTER THAN
PRICES THUS FAR IN 1975. THUS GOF HOPES TO TIP THE
PSYCHOLOGICAL BALANCE IN FAVOR OF CONSUMER SPENDING --
AND THUS TO REDUCE THE RATE OF SAVINGS -- HAVE A
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POTENTIALLY STRONG BASIS. DESPITE OR POSSIBLY BECAUSE
OF THIS POTENTIAL THE GOF DID NOT TAKE STRONG REFLA-
TIONARY MEASURES TO STIMULATE DEMAND. THE FACT THAT
IT DID NOT DO SO STRONGLY SUGGESTS THAT IT PREFERS A
GRADUAL INVESTMENT-LED RECOVERY, AND THAT INFLATION AND
THE BALANCE OF PAYMENTS REMAIN IMPORTANT ELEMENTS OF
GOF POLICY.

D. INFLATION:

AS CITED IN THE OFFICIAL RATIONALE FOR THE
SUPPORT PROGRAM, INFLATION IN FRANCE HAS INDEED BEGUN TO
DECELERATE. WHEREAS THE CONSUMER PRICE INDEX ADVANCED
BY MORE THAN 15 PERCENT IN 1974, IT HAD INCREASED
DURING THE FIRST 7 MONTHS OF 1975 AT AN ANNUAL RATE OF
10.1 PERCENT. IN TERMS OF 3-MONTH CHANGES COMPOUNDED
AT ANNUAL RATES, THE CPI CHANGE IS MORE DRAMATIC: FROM
17 PERCENT IN MARCH 1974 TO 8.8 PERCENT IN JULY 1975.
MANUFACTURED GOODS FOR PAST SIX MONTHS HAVE LED THE
DECELERATION IN OVERALL CONSUMER PRICES. THE GOF IS

UNDERSTANDABLY CONCERNED THAT THIS MODERATING INFLUENCE
COULD BE OFFSET BY EXTERNAL FACTORS (POSSIBLE OPEC
PRICE INCREASE AND CHANGES IN WORLD COMMODITY PRICES).

DESPITE SHIFT IN GOF ECONOMIC POLICY POSTURE TO
EMPHASIZE ECONOMIC SUPPORT, CONCERN FOR INFLATION RE-
MAINS SERIOUS CONSIDERATION GOF POLICY. FOR EXAMPLE,
NET INFUSION OF FUNDS THROUGH DEFICIT SPENDING PROBABLY
WILL WORK OUT TO ABOUT 2 PERCENT OF GNP WHEN CONSIDER-
ED OVER 12-MONTH PERIOD (SEE PARA 4 BELOW). THE PRICE
EFFECT OF THE ECONOMIC SUPPORT PROGRAM ITSELF PROBABLY
WILL BE MINIMAL IN VIEW OF THE LIMITED REAL FISCAL
IMPACT AND THE EXCEPTIONALLY HIGH DEGREE OF UNUSED
CAPACITY IN THE FRENCH ECONOMY.

E. TRADE BALANCE:

WITH A CUMULATIVE SURPLUS THROUGH AUG OF FF 8.5
BILLION, FRANCE'S BALANCE OF TRADE HAS SHOWN SUBSTANTIAL
IMPROVEMENT THUS FAR IN 1975, COMPARED TO LAST YEAR'S
17 BILLION FRANC TRADE DEFICIT. THIS IMPROVEMENT WAS
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MAINLY A CONSEQUENCE OF DEEPENING RECESSION IN FRANCE
AND CONSEQUENT SLUMP IN IMPORT DEMAND. FRENCH EXPORTS
HAVE DEVELOPED UNEVENLY SINCE MID-1974, AND SOON MAY
ONCE AGAIN BE OVERTAKEN BY IMPORTS. HOWEVER, THE
ECONOMIC SUPPORT PROGRAM SEEMS UNLIKELY BY ITSELF TO
WORSEN THE TRADE BALANCE AT LEAST DURING THE REST OF
1975.

4. THE DEFICIT -- RAPID AND PARTLY REVERSIBLE

THE REVISED 1975 BUDGET-SHOWS AN INCREASE FROM
\$4 BILLION, LARGELY ALREADY SPENT, TO \$10 BILLION, AS

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THE RESULT OF THE ECONOMIC SUPPORT PROGRAM. HOWEVER, THE COMBINATION OF AN ACCELERATION OF EXPENDITURES, PARTLY FOR PROJECTS ALREADY IN THE 1976 BUDGET AND THE DEFERRAL OF REVENUES FROM 1975 TO 1976 HAS PADDED THE \$6 BILLION DEFICIT ATTRIBUTED TO THE PROGRAM. IN A FEW CASES FUNDING FOR THE ECONOMIC SUPPORT PROGRAM ACTUALLY WILL BE PROVIDED FROM THE 1976 BUDGET.

MOREOVER, MUCH OF THE PROGRAM CANNOT BE IMPLEMENTED FOR SOME TIME. ONLY THE SOCIAL SECURITY PAYMENTS LIMITED OFFICIAL USE

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AND THE LOAN PROGRAM TO FIRMS APPEAR LIKELY TO BE FULLY COMMITTED IN 1975. THESE TWO ITEMS ACCOUNT FOR \$3.6 BILLION, WHICH ALONG WITH \$2 BILLION IN DEFERRED TAX PAYMENTS TOTAL \$5.6 BILLION, ALMOST THE TOTAL AMOUNT OF THE \$6 BILLION INCREASE IN THE BUDGET DEFICIT ATTRIBUTED TO THE PROGRAM. OF THE ROUGHLY \$3 BILLION REMAINING TO BE SPENT IN 1976 THE GOF EXPECTS AT LEAST \$275 MILLION

AND POSSIBLY MORE TO BE FUNDED BY THE 1976 BUDGET, LEAVING A BALANCE TO BE EXPENDED UNDER THE PROGRAM IN FY 76 OF \$2.7 BILLION. THIS EXPENDITURE WILL BE LARGELY OFFSET BY THE COLLECTION OF ABOUT \$2 BILLION OF TAXES DEFERRED FROM SEPTEMBER 1975 TO APRIL 1976. THE MINISTER OF FINANCE HAS STATED THAT THE 1976 BUDGET WILL BE IN BALANCE. THUS THE DIRECT EXPANSIONARY EFFECTS OF THE PROGRAM WILL RESULT FROM EXPENDITURES MADE OVER THE NEXT THREE TO FOUR MONTHS SINCE SPENDING UNDER THE PROGRAM IN 1976 WILL BE VIRTUALLY OFFSET BY THE REVERSAL OF DEFERRED TAXES OR ACTUALLY PAID FOR BY FY 76 REVENUES.

AS FOR FINANCING THE \$6 BILLION INCREASE IN THE 1975 BUDGET DEFICIT' SHORT-TERM TREASURY BILLS ARE A POSSIBILITY EVEN THOUGH THE EXACT MEANS OF FINANCING HAVE NOT BEEN DECIDED. FINMIN FOURCADE HAS MENTIONED TREASURY ADVANCES COVERED BY SHORT-TERM TREASURY BILLS OF A 6-MONTH OR ONE-YEAR MATURITY AND HE HAS SUGGESTED THAT SUCH ISSUES COULD BE MADE AVAILABLE FOR PURCHASE BY NON-RESIDENTS.

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